

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2021 Second Round

September 29, 2021

3575 Mendocino Avenue Phase II, located at 3575 Mendocino Avenue in Santa Rosa, requested and is being recommended for a reservation of \$2,096,348 in annual federal tax credits to finance the new construction of 37 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Related Development Company of California, LLC and will be located in Senate District 2 and Assembly District 2.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-21-175

Project Name 3575 Mendocino Avenue Phase II
Site Address: 3575 Mendocino Avenue
Santa Rosa, CA 95403 County: Sonoma
Census Tract: 1521.000

| Tax Credit Amounts | Federal/Annual * | State/Total |
|---------------------------|-------------------------|--------------------|
| Requested: | \$2,096,348 | \$0 |
| Recommended: | \$2,096,348 | \$0 |

* Consolidated Appropriations Act, 2021 (CAA) Federal Credits

Applicant Information

Applicant: BRJE Phase 2 Housing Partners, L.P.
Contact: Ann Silverberg
Address: 44 Montgomery Street, Suite 1300
San Francisco, CA 94104
Phone: 415-677-9000
Email: asilverberg@related.com

General Partner(s) / Principal Owner(s): Related/BRJE Phase 2 Development Co., LLC
BHDC Mendocino II, LLC
General Partner Type: Joint Venture
Parent Company(ies): The Related Companies of California, LLC
Burbank Housing Development Corporation
Developer: Related Development Company of California, LLC
Investor/Consultant: California Housing Partnership
Management Agent(s): Burbank Housing Management Corporation

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 38
 No. & % of Tax Credit Units: 37 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Vouchers (13 units - 35%)

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: Northern Region
 TCAC Project Analyst: Sarah Gullikson

55-Year Use / Affordability

| | <u>Aggregate Targeting Number of Units</u> | <u>Percentage of Affordable Units</u> |
|----------------------|--|---|
| At or Below 30% AMI: | 4 | 10% |
| At or Below 40% AMI: | 9 | 20% |
| At or Below 50% AMI: | 16 | 40% |
| At or Below 60% AMI: | 9 | 20% |

Unit Mix

38 1-Bedroom Units
 38 Total Units

| <u>Unit Type & Number</u> | <u>2021 Rents Targeted % of Area Median Income</u> | <u>Proposed Rent (including utilities)</u> |
|-------------------------------|--|--|
| 4 1 Bedroom | 30% | \$655 |
| 9 1 Bedroom | 40% | \$873 |
| 15 1 Bedroom | 50% | \$1,091 |
| 9 1 Bedroom | 60% | \$1,309 |
| 1 1 Bedroom | Manager's Unit | \$0 |

Project Cost Summary at Application

| | |
|----------------------------------|---------------------|
| Land and Acquisition | \$641,205 |
| Construction Costs | \$13,985,501 |
| Rehabilitation Costs | \$0 |
| Construction Contingency | \$1,898,550 |
| Relocation | \$0 |
| Architectural/Engineering | \$1,340,000 |
| Const. Interest, Perm. Financing | \$1,767,248 |
| Legal Fees | \$250,000 |
| Reserves | \$127,760 |
| Other Costs | \$1,804,820 |
| Developer Fee | \$2,200,000 |
| Commercial Costs | \$0 |
| Total | \$24,015,084 |

Residential

| | |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$700 |
| Per Unit Cost: | \$631,976 |
| True Cash Per Unit Cost*: | \$631,976 |

Construction Financing

| Source | Amount |
|---------------------------|--------------|
| US Bank Construction Loan | \$19,976,075 |
| Deferred Costs | \$2,194,600 |
| Tax Credit Equity | \$1,844,408 |

Permanent Financing

| Source | Amount |
|------------------------|---------------------|
| US Bank Permanent Loan | \$4,626,000 |
| Tax Credit Equity | \$19,389,084 |
| TOTAL | \$24,015,084 |

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

| | |
|--|--------------------------------|
| Requested Eligible Basis: | \$17,917,501 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | \$23,292,751 |
| Applicable Rate: | 9.00% |
| Maximum Annual Federal Credit: | \$2,096,348 |
| Total Maximum Annual Federal Credit: | \$2,096,348 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$2,200,000 |
| Investor/Consultant: | California Housing Partnership |
| Federal Tax Credit Factor: | \$0.92490 |

The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Disaster Credit Tie Breaker Information

| | |
|---------|-------------|
| First: | Yes |
| Second: | No |
| Third: | \$56,658.05 |

Significant Information / Additional Conditions

Development costs are roughly \$631,976 per unit. The factors affecting this cost includes high real estate costs for the area, high costs for an infill site located to several popular amenities, as well as costs to mitigate fire risk in a previous disaster zone.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, City of Santa Rosa, has completed a site review of this project and strongly supports this project.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

| Points System | Max. Possible Points | Requested Points | Points Awarded |
|---|-----------------------------|-------------------------|-----------------------|
| Owner / Management Characteristics | 10 | 10 | 10 |
| General Partner Experience | 7 | 7 | 7 |
| Management Experience | 3 | 3 | 3 |
| Housing Needs | 10 | 10 | 10 |
| Site Amenities | 15 | 15 | 15 |
| Within ¼ mile of transit, service every 30 min, 25 units/acre density | 7 | 7 | 7 |
| Within ¾ mile of public park or community center open to general public | 2 | 2 | 2 |
| Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf | 4 | 4 | 4 |
| Within ½ mile of medical clinic or hospital | 3 | 3 | 3 |
| Within ½ mile of a pharmacy | 2 | 2 | 2 |
| Service Amenities | 10 | 10 | 10 |
| LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES | | | |
| Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms | 5 | 5 | 5 |
| Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction | 7 | 7 | 7 |
| Lowest Income | 52 | 52 | 52 |
| Basic Targeting | 50 | 50 | 50 |
| Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less | 2 | 2 | 2 |
| Readiness to Proceed | 10 | 10 | 10 |
| Miscellaneous Federal and State Policies | 2 | 2 | 2 |
| Smoke Free Residence | 2 | 2 | 2 |
| Total Points | 109 | 109 | 109 |

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.